

EXHIBIT

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From: John Dittami <john@effexcapital.com> on behalf of John Dittami
Sent: Wednesday, December 19, 2012 12:07 PM
To: Drew Niv; William Ahdout
Cc: cmeyer@effexcapital.com
Subject: Update

Drew and William –

Figured I'd send an update and outline for 2 pm meeting.

1. We have gotten somewhat disconnected from day to day things with FXCM, both in terms of you being in loop on what we are working on and doing, and on us knowing what changes are coming and being able to provide more value to your business. This probably became more clear with your office shut and our inability to come and see everyone. We want to restart doing regular updates again for you, with distribution to Drew, William, Evan, and I think we should add Randy.

Regular Updates should include: (1) PNL and a few bullets on why Per MM or volume % is good and/or bad; (2) open key initiatives for the business with progress updates; (3) technology related issues or open items as relevant; and (4) other general market color we receive talking to people and see in the market.

So, in that vein...

2. Open Initiatives Update

- a. Provide FXCM with Gold Price. We are capturing Futures and working on betting basis feeds and PB set up. Pb is difficult: MS netting isn't ready yet they say Feb, CITI also not great on this. Long term we need to work out the capital and cash set ups, but we suggest starting with us just doing cash straight and hedging in interbank so that this moves forward. Our other open issue is when we start trading futures, what regulatory issues do we face.
- b. Large customer flow, where are we on this? We're keen and need to chat to the relevant parties, but this ball hasn't moved forward, even though we all want it to happen.
- c. A Scalping feed: we can be ready with this, is there a customer lined up for it? Is this one large customer you already have? We need to discuss.
- d. We need to restart regular meetings with Evan and Randy to see what they need from us and how we can help to push the Fast Match retail initiative forward. We'll work with Evan now that your office is back up on flow of deals in/out of fastmatch and how do we get our L2 business flowing thru there sooner than later
- e. Am I missing any key initiatives?

3. Technology Issue Update.

- a. We have pushed on the spread capping stream. Darren has reviewed it and we've pushed the issue to Art, and he is now investigating after our first few push backs. We are still on it but there has clearly been some bug in BBO at the least on CITIEXSD that prevented our max spread from working, and we need to check all the stream.
- b. We started some work on latency in and out of your systems/enging and are trying to capture more information to help out the fast match initiative more. We found a couple of things to be cautious about. The latency on/off LBM (not the engine/adapters or other) has gotten pretty bad, even after quote reductions. I think there needs to be some more work on whether more quotes are hurting or helping FM. If more quotes help to get volume, the different groups at FXCM need to open up and work more closely together. To start with, a

solid data capture process needs to be put in place. I think FM could get more volume with less quotes, and definitely these latency spikes of 100ms are hurting all providers and thus your overall liquidity.

c. We need more regular meetings with Evan/technology and to put a plan together on what\where we can help on this front. What with the growth in FM and the different initiatives plus the hurricane, work has been adhoc, and we want to provide help that leads to FXCM business objective success.

4. Importantly, on our per MM payment, for now we are not going to drop it as per our last discussion. After a rough October in retail and a brutal November (gross revenue of \$17.50 per MM), December has done better than our expectations. Given we are so close to January, we will keep the payment steady for Jan as well, and its good to know option is available if needed for February. As always, we hope its not needed, and we'll work to prevent lowering it. There are a couple things to note on our work on this, though....

We were able to bring up our % volume from the low 30's in November while scratching after fees with the added percentage, increasing it to ~50%. We've made a number of parameter adjustments to do so. The PNL is still in question, but our changes helped and were further helped by greater volatility in December. It was also helped by better separation of tiers of liquidity, and helped by FXCM's work in liquidity provider management. Also, we were seeing higher latency between us and our deal confirms and quotes, which was hurting us, so we separated quotes from ers, and that helped us here, although it uncovered other issues, as discussed above.

One good or bad thing is that we spotted a difference in the quality of flow in partial versus whole fills, even for small tickets (<2MM). Basically, we don't want to be part of any deal of any size that includes FM of any size - even being a part of the \$1MM tickets and above was very bad for PNL. This is an indication that FM Lps, including the banks, are handling the risk management of these deals very differently. They appear to be moving quickly to market to offset any trades they get in FM.

5. Other business items

- a. We need to touch on 1-2 meetings from my Asia trip, as well as some general market color.
- b. DMM discussion and use of POP moving forward
- c. Adding SGD, ZAR, CNH to our list of pairs